

News Release

JUDGE UPHOLDS JOINT AND SEVERAL LIABILITY IN AIK COMP CASE Rules members responsible for liabilities of self-insured workers' comp group

FRANKFORT, Ky. (Sept. 8, 2005) – Franklin Circuit Court Judge William L. Graham has ruled that members of the failed workers' compensation self-insured group AIK Comp are liable for the deficit in its fund.

The ruling, which Graham signed Tuesday, affirms the enforcement by regulators of "joint and several liability" among members of self-insured groups. It also ensures continued payments for claims of injured workers.

"This is a major victory for the injured workers who rely on this fund," said Glenn Jennings, AIK Comp rehabilitator and executive director of the Kentucky Office of Insurance (KOI). "The goal of the rehabilitation always has been to ensure adequate funds exist to pay injured worker claims in a timely manner at the lowest possible cost to AIK Comp members. Now that this obstacle has been overcome, we can move forward to explore ways to achieve that goal."

The order finds that accusations of fraud and misrepresentation by third parties do not release members from their obligations under the joint and several liability agreements.

AIK Comp entered into voluntary rehabilitation on Aug. 5, 2004. In November 2004, the rehabilitator assessed members for a \$58.5 million deficit. In late 2004, the fund was forced to quit writing new business due to litigation over the assessments and uncertainty in the market. The deficit is now \$97.3 million and AIK Comp has taken legal action against those members who have not paid the assessment amount.

A trial will begin Sept. 14 in Franklin Circuit Court to resolve the remaining issues, including the methodology for the assessment and the rehabilitation plan.

KOI is an agency of the Environmental and Public Protection Cabinet.